



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **HB 753** HLS 09RS 1408  
Bill Text Version: **ORIGINAL**  
Opp. Chamb. Action:  
  
Proposed Amd.:  
Sub. Bill For.:

<b>Date:</b> May 14, 2009	6:50 PM	<b>Author:</b> RICHMOND
<b>Dept./Agy.:</b> Revenue		
<b>Subject:</b> New Markets Tax Credit Program		<b>Analyst:</b> Greg Albrecht

TAX CREDITS OR -\$12,500,000 GF RV See Note Page 1 of 1  
Increases the credit cap for a single business under the New Markets Tax Credit Program

Current law provides state income and franchise tax credits for investments in Community Development Entities (CDEs) organized to participate in the federal New Markets Tax Credit Program. Tax credits are 25% of the investment in a CDE that are used to make subsequent investments in qualified businesses in the state. Credits are transferable and can be taken against existing state tax liabilities over three years (40%, 40%, 20%). Investments eligible to generate tax credits are capped at \$5 million per investment, unless invested in certain Dept. of Economic Development target industries, which are limited to \$15 million. The current aggregate amount of tax credit available is \$50 million (\$12.5 million available in 2009). Proposed law provides another \$12.5 million of aggregate tax credit to be allocated between July 15, 2009 and December 31, 2010. Once issued, this additional credit amount can be taken against tax liabilities over a three year period (40%, 40%, 20%), as provided in current law. Tax credit generating per project investments are changed to \$7.5 million (from \$5 million in current law). Credits issued after July 15, 2009 can't be claimed on returns due before 2011.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

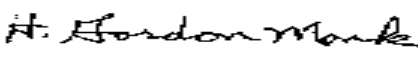
REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$5,000,000)	(\$5,000,000)	(\$2,500,000)	\$0	(\$12,500,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	(\$5,000,000)	(\$5,000,000)	(\$2,500,000)	\$0	(\$12,500,000)

EXPENDITURE EXPLANATION

The Department of Revenue has devoted a full-time position to administer this program. It seems unlikely that the changes made by this bill would require additional resources.

REVENUE EXPLANATION

According to the Department of Revenue, the current \$50 million of available tax credit has been fully allocated. This bill adds another \$12.5 million of credit to the program, and consequently increases the state's tax credit cost for this program by a like amount. Once issued, current law provides that credits can only be taken against tax liabilities over three years (40%, 40%, and 20%), and the bill provides that no credit issued on or after July 15, 2009 (this new \$12.5 million allocation) can be claimed on a tax return due on or before December 31, 2010. This establishes FY11 as the first year that this new tax credit exposure can be realized against state tax collections: 40% or \$5 million in FY11, 40% or \$5 million in FY12, and 20% or \$2.5 million in FY13.

Senate	Dual Referral Rules	House	
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	H. Gordon Monk Legislative Fiscal Officer